



June 23, 2008

Mr. David R. McDowell
Division of Filings
Kentucky State Board on Electric Generation
& Transmission Siting
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

RECEIVED

JUN 25 2008

**PUBLIC SERVICE
COMMISSION**

RE: Case No. 2002-00312

Dear Mr. McDowell:

Thank you for your letter of June 17, 2008. This letter provides our annual report for the Kentucky Pioneer Energy project for the year 2007.

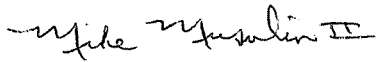
1. The project is currently inactive, and Kentucky Pioneer Energy has not conducted any construction activity since receiving its certificate in November 2003.
2. The following circumstances are the primary contributors to the Project being inactive:
 - a. Owing to the significant delay of the Department of Energy Environmental Impact Statement (EIS), which took nearly three years instead of 18-months, East Kentucky Power Cooperative, our utility partner in the project, elected to defer this generation in their resource planning; and
 - b. The Order of the Kentucky State Board on Electric Generation and Transmission Siting has been appealed. It is pending in Clark Circuit Court, Division One under Case No. 03-CI-00680. This appeal remains an open matter, but a recent hearing on the matter is expected to result in a briefing schedule for the appeal over the next five months.
3. Due to the delays noted above, the Permit to Install, issued by the Kentucky Division of Air Quality, expired in December 2005.
4. A condition of the Siting Certificate is to obtain Clark County approval of a zoning change for the project site. This activity will need to be coordinated with our utility partner from whom we have leased the property for the project.

We continue to believe that gasification of Kentucky's most abundant resource is and will be the answer to our nation's energy problems for the foreseeable future. The ability to gasify Kentucky coal, either to create electricity, or to create pipeline quality Synthetic Natural Gas (SNG), is a way for Kentucky to achieve the status it should occupy as one

of our nation's leading producers of clean coal-based energy for the future. In this we believe that both the Public Service Commission, on behalf of the Commonwealth, and EKPC can benefit from supporting a gasification project.

For your information, Kentucky Pioneer Energy and its parent company Global Energy, Inc, intend to implement carbon management solutions on its projects. For Kentucky Pioneer, this could be post combustion carbon capture and storage or pre-combustion capture during manufacture of Synthetic Natural Gas (SNG). Carbon Dioxide from the source can be sequestered or used in enhanced oil recovery (EOR). We have a joint venture partner with expertise in carbon management that is assisting us in this regard for our Lima, Ohio project.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Musulin II". The signature is fluid and cursive, with a distinct "II" at the end.

Mike Musulin, II
President
Kentucky Pioneer Energy